



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

Elizabeth Smith, Treasurer  
The Madison Project Inc.  
P.O. Box 160  
Centreville, VA 20122

APR 18 2003

Identification Number: C00298000

Reference: Amended July Quarterly Report (4/1/02-6/30/02), received 4/12/03

Dear Mrs. Smith:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your report discloses a transfer(s) for "Administrative Expenses", "Administrative Expenses for Overhead", "Administrative Expenses and Overhead" to the **Madison Project Inc. Admin Fund** which appears to be a non-federal account of your committee. 11 CFR §§106.5 and 106.6 prohibits a committee's federal account from reimbursing its non-federal account for shared allocable expenses. Furthermore, the non-federal account is prohibited from paying the federal account's share of these expenses. These types of costs must be paid according to the allocation ratio derived from the appropriate method on a Schedule F(1).

The Commission notes your Mid-Year and Year End Reports' Electronic Submission (received on 10/22/02) which states, "... the federal account transferred one hundred percent (100%) of the amount needed to pay the administrative and overhead expenses associated with the federal account to the non-federal account and these expenses were paid immediately after transfer." However, all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. 11 CFR §102.5(a)(1)

If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If your non-federal account has paid for any expenditure which should have been

allocated, you are advised to correct any non-compliance with 11 CFR §106.5 and 106.6 and establish procedures to insure future compliance with allocation regulations. The Commission notes that in your Electronic Submission received 10/22/02 you also state, "Beginning October 1, 2002, the Madison Project will pay all operating expenditures out of the federal account."

Although the Commission may take further legal action regarding this apparent improper allocation activity, your prompt action will be taken into consideration.

A response or amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division). My local number is (202) 694-1130.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Kitchen", with a long horizontal flourish extending to the right.

Antoinette Kitchen  
Senior Campaign Finance Analyst  
Reports Analysis Division

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